

**STATEMENT OF SECRETARY MICHAEL CHERTOFF
U.S. DEPARTMENT OF HOMELAND SECURITY
BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON HOMELAND SECURITY**

**Thursday, July 14, 2005
Washington, DC**

Mr. Chairman, Ranking Member Thompson, and Members of the Committee: Thank you for the opportunity to address you today, and for your ongoing support of the Department of Homeland Security's efforts to keep America secure and free.

I am honored and pleased to appear before the House Homeland Security Committee today to discuss the outcomes and results of our Second Stage Review (2SR). Last time I appeared before the Committee in April, we were in the middle of the 2SR process, and I was only able to briefly touch on some of our overarching goals – such as risk management – that were guiding our work on this important initiative. Today, I am able to report more fully on the results of that process.

As the Committee is well aware, I launched 2SR several months ago at the beginning of my tenure. 2SR is a systematic evaluation of the Department's operations, policies and structures to ensure that our form and function are most effectively aligned to maximize our ability to achieve the security outcomes associated with our overriding mission of protecting the homeland.

All Americans owe a tremendous debt of gratitude to the patriots and pioneers who built this Department in record time. Because of their dedication, security at our ports, airports, critical infrastructure and borders has been significantly strengthened. Our nation has thwarted plots and captured terrorists. As a result, in the period since 9-11, the American people have begun to live under an umbrella of greater security, with greater peace of mind than we imagined on that terrible day.

My job – and the job of the leadership team at the Department – is to provide the strategic direction, tools, and aggressive support needed by our colleagues to build upon that foundation and continue to advance the effectiveness, agility, and capacity of this Department every day.

2SR – Philosophy

Our review was conducted with several core principles in mind.

First, as I have said before, DHS must base its work on priorities driven by risk. Our goal is to maximize our security, but not security “at any price.” Our security strategy must promote Americans’ freedom, prosperity, mobility, and individual privacy.

Second, our Department must drive improvement with a sense of urgency. Our enemy constantly changes and adapts, so we as a Department must be nimble and decisive.

Third, DHS must be an effective steward of public resources. Our stewardship will demand many attributes – the willingness to set priorities; disciplined execution of those priorities; sound financial management, and a commitment to measure performance and share results. Perhaps most of all, DHS must foster innovation.

Finally, our work must be guided by the understanding that effective security is built upon a network of systems that span all levels of government and the private sector. DHS does not own or control all these systems. But we must set a clear national strategy, and design an architecture in which separate roles and responsibilities for security are fully integrated among public and private stakeholders.

We must draw on the strength of our considerable network of assets, functioning as seamlessly as possible with state and local leadership, law enforcement, emergency management personnel, firefighters, the private sector, our international partners and certainly the general public.

Building effective partnerships must be core to every mission of DHS.

2SR Process

From across the Department and elsewhere in the federal government, we pulled subject matter experts and talented individuals away from their day jobs to focus on how well we tackle our tough fundamental challenges: prevention, protection, and all-hazards response and recovery.

This Second Stage Review utilized 18 action teams -- involving more than 250 DHS staff -- to evaluate specific operational and policy issues. We asked each team to answer a couple of simple questions. First, freed from the constraints of existing policies and structures -- writing on a clean slate -- how would you solve a particular problem? And then, how would you take the best solutions and implement them aggressively?

We actively sought opinions from hundreds of public and private partners at the federal, state, local, tribal and international levels. Finally, we examined the DHS organizational structure, to make sure that our organization is best aligned to support our mission.

This work, along with the experience of the last two years in the Department's existence, will now play a critical role in setting our agenda moving forward.

Six Imperatives

In the weeks and months to come, the Department will launch specific policy initiatives in a number of key areas. Here, then, are six of the key imperatives that will drive the near-term agenda for DHS. We must:

1. Increase preparedness, with particular focus on catastrophic events.
2. Strengthen border security and interior enforcement and reform immigration processes.
3. Harden transportation security without sacrificing mobility.
4. Enhance information sharing with our partners, particularly with state, local and tribal governments and the private sector.
5. Improve DHS stewardship, particularly with stronger financial, human resource, procurement and information technology management.
6. Re-align the DHS organization to maximize mission performance.

We will put more muscle on the bones of these six areas and others with additional actions and policy proposals in the weeks and months ahead. But, for now, let me give you a broad overview of our agenda for the future of the Department.

1. Preparedness

First, preparedness. In the broadest sense, preparedness addresses the full range of our capabilities to prevent, protect against, and respond to acts of terror or other disasters.

Preparedness is about securing America's critical infrastructure, which is not a government asset; roughly 85 percent is privately owned or operated.

At the outset, we must acknowledge that although we have substantial resources to provide security, these resources are not unlimited. Therefore, we as a nation must make tough choices about how to invest finite human and financial capital to attain the optimal state of preparedness. To do this we will focus preparedness on objective measures of risk and performance.

Our risk analysis is based on these three variables: (1) threat; (2) vulnerability; and (3) consequences. These variables are not equal – for example, some infrastructure is quite vulnerable, but the consequences of attack are relatively small; other infrastructure may be much less vulnerable, but the consequences of a successful attack are very high, even catastrophic. DHS will concentrate first and most relentlessly on addressing threats that pose catastrophic consequences. Some of the tools needed to prevent, respond and recover from such awful scenarios are already in place; but others need significant improvement.

The first step in enhancing national preparedness is establishing a preparedness baseline that measures the effectiveness of our planning for preventing, protecting against, and responding to terrorist acts or disasters. A second stage review team has, therefore, constructed the model for an analytic matrix that will set that baseline. The matrix will allow us to analyze possible threats and will map the current state of prevention, protection and response planning with regard to each. This matrix will be a critical tool enabling us to identify and remedy current gaps in preparedness.

Bringing greater planning discipline to each of these risk scenarios is another dimension of our preparedness mission. And simple common sense counsels that we begin by concentrating on events with the greatest potential consequences. That is why the Department's *National*

Preparedness Goal -- and additional, risk-based planning -- will form our standard in allocating future DHS grants to our state and local partners so that we build the right capabilities in the right places at the right level. Federal money should be distributed using the risk-based approach that we will apply to all preparedness activities. And DHS needs the discretion to award infrastructure protection grants in a more flexible manner, as provided by the Administration's proposed Targeted Infrastructure Protection Plan.

Of course, federal funds are not the only resources available to strengthen the protection of our valued infrastructure. Three years ago, Congress passed the SAFETY Act to enable our private sector partners to develop innovative technology to protect the homeland without the fear of unduly high transaction costs imposed by the possibility of frivolous lawsuits. There is more opportunity to take advantage of this important law, and we will do so.

Finally, of all the catastrophic threats we face, a nuclear attack on our soil would be uniquely threatening to our society. The President's budget asks Congress to establish and fund a Domestic Nuclear Detection Office (DNDO) to develop and deploy the next generation of systems that will allow us to dramatically improve our ability to detect and intercept a nuclear threat. We have begun to take the steps to make this office a reality. The DNDO will report directly to me under our new structure -- and I ask that Congress support this essential and critical resource.

2. Borders and Immigration

Our second imperative is the need to strengthen border security and interior enforcement, as well as improve our immigration system. We cannot have one approach without the other.

As to the first, we must gain full control of our borders to prevent illegal immigration and security breaches. Flagrant violation of our borders undercuts respect for the rule of law and undermines our security. It also poses a particular burden on our border communities. We are developing a new approach to controlling the border that includes an integrated mix of additional staffing, new technology and enhanced infrastructure investment. But control of the border will also require reducing the demand for illegal border migration by channeling migrants seeking

work into regulated legal channels. I look forward to working with Congress this year to improve border security significantly through the President's Temporary Worker Program (TWP).

Immigration policy is about more than keeping illegal migrants out. Our heritage and our national character inspire us to create a more welcoming process for those who lawfully come to our shores to work, learn and visit. Secretary Rice and I will, in the near term, announce a detailed agenda of work and innovation that the Department of State and DHS have begun together to ease the path for those who wish to legitimately visit, study, and conduct business in this country, while at the same time ensuring that our national security interests are protected.

Of course, most people come to our shores to seek a better life for themselves and their children. Ours is a nation of immigrants, but, for legal immigrants trying to become American citizens, the process can be confusing, frustrating, and seemingly endless. Part of the problem is that the current business model fosters a long delay between application and final adjudication of applicants for residence and citizenship, during which many applicants stay here as temporary residents. But this system puts some of the most important security screening at the end of a lengthy process rather than the beginning, and leads to an unnecessarily high rate of rejection late in the process.

As a result, too often, this system leaves a negative first impression of our nation with our new fellow countrymen. Worse yet, it causes unnecessary security risks because people enjoy temporary residence while we are completing the screening process. Restructuring this process to enhance security and improve customer service will be an important part of our agenda.

2. Transportation Security

Creating better systems to move people and goods more securely and efficiently was a core objective in founding DHS. It remains so today.

(a) Enhancing Transit Safety. The tragic events in London last week served as a reminder of the terrorist threat against innocent civilians in our mass transit systems. Following

last year's Madrid train bombings, DHS took important action not only by increasing funding for rail security, but also by conducting over 2,600 individual consequence assessments. Since 9/11, the Transportation Security Administration and the Department of Transportation's Federal Transit Administration have worked extensively with the transit industry and first responders to strengthen the overall security capabilities of transit systems, with a special emphasis on the largest systems. Together, we have developed a significant tool-kit of protective measures, which include the coordination and training needed to recover from possible attacks. Multiple funding streams within DHS will be available to support such projects, including roughly \$8.6 billion enacted and requested since 2003 for our State Homeland Security and Urban Area Security Initiative grant programs.

We are also working to develop next-generation explosive detection equipment specifically for use in mass transit systems. We will continue to apply resources to this groundbreaking work. At the same time, we must also prepare for terror attacks of even greater consequence -- attacking transit systems with biological, radiological or chemical agents. We plan to expand the deployment of the PROTECT chemical detection and emergency management system. This capability has been successfully prototyped in the Washington, D.C. Metropolitan Area transit system and will provide a significant and important chemical detection capability for other transit systems across the Nation.

We also now have a network of bio-sensors, but we will accelerate the development and deployment of next generation technologies that more quickly detect biological, radiological and chemical attacks.

(b) Strengthening Aviation Security. After 9-11, TSA was created to deny terrorists the opportunity to use aircraft as weapons and to defend our vital national infrastructure. Extraordinary progress has been made, but more remains to do. In aviation, our security and efficiency can be strengthened by better use of technology, both existing and next generation technologies.

Congress intended TSA to be almost entirely supported by user fees, but it is not. The Administration has proposed a modest increase in user fees to fund the infrastructure needed for this job. I believe travelers are willing to pay a few dollars more per trip to improve aviation security and enhance efficiency. I look forward to working with both Congress and the aviation industry to find a formula that will work. By collecting user fees for aviation, we can free up precious DHS resources for other important security priorities.

(c) Passenger Identity Screening. Too often, security screening for passengers at airports is frustrating. We are still dependent upon a pre-9/11 technology system to conduct the most elementary form of terrorist screening -- matching names against watch lists. Our job is to identify people at airports whom we already know and believe to pose a risk to aviation. Our existing watch list does identify threatening people, but it is not fully automated for aviation screening and it yields an unacceptably high number of false positives, which drains our security resources.

Getting this right is urgent. The short-term solution lies in enhancing our ability to screen individuals more precisely against named terror suspects, by utilizing more precise identifying information such as date of birth. That kind of system -- being developed through our Secure Flight program -- will limit cases where low risk travelers are selected for additional screening. It will dramatically reduce the number of cases where travelers are delayed for questioning simply because they may have the same name as someone on the watch list. But even this approach may not be complete, because it remains focused on only identifying already known high risk travelers.

Putting aside known risks, the more comprehensive and efficient passenger screening system that DHS must develop will give us the ability to automatically clear low-risk travelers. By clearing these low-risk travelers, TSA can reasonably focus on a smaller and more distinct pool of passengers that might pose a threat to aviation. The result: less frustration; faster service; better security. Better forms of screening will also promote privacy, because they will reduce the number of mistakes or unnecessary interventions that annoy travelers.

TSA's Registered Traveler and Secure Flight programs are keys to increasing the precision, reliability, and speed of identity screening for domestic air travelers. Equally important are improved protocols to screen inbound international airline passengers and expanded deployment of US-VISIT for overseas visitors. All these screening programs should be integrated so that screening is consistent and interoperable.

(d) (Supply Chain) Security Management. After 9-11, this country put in place vital measures intended to protect the global movement of marine cargo that touches our shores as it moves from origin to destination. U.S. Customs and Border Protection is screening all inbound containers and inspecting those that merit further scrutiny. Increasingly, screening and inspection are taking place at the port of departure overseas -- before cargo arrives here.

But we should not rest where we stand. I believe that we can gather, fuse and assess more complete data from the global supply chain to develop a more accurate profile of the history of cargo in a given container. Data about what cargo is moving from the initial point of shipping to the final destination will allow us to target risk better. With more informed targeting, we can more efficiently conduct inspections of cargo that is either high risk or unverified. This "Secure Freight" initiative will allow us to expedite large portions of the inbound that sustains our nation's economy, and focus with more precision on the unknown.

That brings us to inspections. We must enhance and speed inspections that we need to perform, so that we minimize freight delays and increase total inspection capacity. To this end, we must complete our deployment of radiation portal detectors at ports, while advancing research on more sophisticated non-intrusive detection protocols and equipment.

4. Information Sharing

The ability to share information with our international, state, and local partners, the private sector, law enforcement and first responders is absolutely critical to our success. Otherwise, we are effectively tying the hands of those who are on the ground and charged with the responsibility of protecting their community, their neighbors, and their families.

We recognize the need for better and more inclusive information sharing. Information sharing is a two-way street. Therefore, we will work with the White House Homeland Security Council and our federal colleagues not only to help forge common federal tools for information sharing, but also work with state and local officials – and private sector infrastructure owners – to fuse and share a richer intelligence base. In short, we will promote greater situational awareness.

5. DHS Stewardship

DHS must be a responsible steward of the public trust. Congress is justifiably making significant investments in homeland security, and that entails significant procurements at DHS. We must ensure that we carry out these procurements responsibly.

One of my very first acts as the new Secretary was to contact the Department's Inspector General and my Chief Procurement Officer and instruct them to evaluate DHS procurements and our contracting practices. I asked for suggestions regarding any needed changes -- and I've received just that. We will rely on these recommendations to make procurement integrity and efficiency a management focus throughout the Department's work.

We will also emphasize improving financial controls and financial systems, seeking operating efficiencies, strengthening human capital policies, and delivering core information technology systems. Last week's attack in London re-emphasized for me the need to act on another Second Stage Review recommendation: better integration and consolidation among the Department's multiple crisis management centers. We will do that.

DHS employees also deserve an organization that provides top-notch professional career training, an organization that actually enables individuals to broaden these experiences by working in other components of the Department without impeding their career paths. DHS should reward the strongest performers and team players. Our review has given us some specific recommendations for building this type of organization, and we will look forward to sharing more details with employees in the weeks and months to come.

6. DHS Structural Re-Alignment

I have concluded that some structural changes are needed at DHS to improve mission performance. Modest but essential course corrections regarding organization will yield big dividends. Most can be accomplished administratively – a few require legislation.

These organizational changes include four important areas of focus which include: (1) formation of a new, department-wide policy office; (2) significant improvements in how DHS manages its intelligence and information sharing responsibilities; (3) formation of a new operations coordination office and other measures to increase operational accountability; and (4) an important consolidation effort that integrates the Department's preparedness mission.

(a) Policy. We propose the creation of a central policy office led by an Under Secretary for Policy. This office also will bring together our international affairs staff, a significant and new strategic planning capability, DHS-wide policy development assets, a senior policy advisor focused on refugee asylum policies, and enhanced private sector liaison resources. Collectively, the Policy Directorate will strengthen the Department's ability to develop and plan vital policies. This office is not a new idea -- it builds in part upon the foundational work of the Border and Transportation Security policy staff, which is to be folded into the new policy directorate. Creation of a DHS policy shop has been suggested by Members of Congress, Secretary Ridge, and numerous outside experts. Now is the time to make this a reality.

(b) Intelligence. Systematic intelligence analysis lies at the heart of everything we do. Understanding the enemy's intent and capabilities affects how we operate at our borders; how we assess risk in protecting infrastructure; how we discern the kind of threats for which we must prepare to respond.

More than 10 components or offices of the Department of Homeland Security are intelligence generators, and all of us in the Department are consumers and appliers of intelligence. We need to have a common picture – across the Department – of the intelligence that we generate and the intelligence we require. We need to fuse that information and combine it with information from other members of the intelligence community as well as information from our state, local, and international partners.

DHS can also do a better job of sharing the intelligence we are gathering and the intelligence we are analyzing with our customers inside the Department, within the intelligence community, and with our frontline first responders at the state and local level.

Therefore, we will designate the Assistant Secretary for Information Analysis as the Chief Intelligence Officer. The Chief Intelligence Officer will head a strengthened Information Analysis division that will report directly to me. This office will ensure that intelligence is coordinated, fused and analyzed within the Department so that we have a common operational picture. It will also provide a primary connection between DHS and others within the intelligence community – and a primary source of information for our state, local, and private sector partners.

(c) Operations. Intelligence and policy mean little if not translated into action. Under our plan, all seven primary operational components will have a direct line to the Secretary, but -- to improve our ability to coordinate and carry out operations -- we will establish a new Director of Operations Coordination. The Director of Operations Coordination will work with component leadership and other federal partners to translate intelligence and policy into actions – and to ensure that those actions are joint, well-coordinated and executed in a timely fashion. The Operations Coordination director will manage DHS’s hub for crisis management.

This integrating office will not disrupt our operators in the field, nor will it interfere with component chains-of-command. We do not aim to fix what already works.

(d) Preparedness. Finally, let me turn to the critical area of preparedness. The Department of Homeland Security has primarily been viewed as a terrorist-fighting entity. But, in fact, we are an “all hazards” Department. Our responsibilities certainly include not only fighting the forces of terrorism, but also fighting the forces of natural disasters.

To ensure that our preparedness efforts have focused direction, we intend to consolidate the Department’s existing preparedness efforts -- including grants, exercises, and most training -- into a single directorate led by an Under Secretary for Preparedness. Going forward, FEMA will

be a direct report to the Secretary – but it will now focus on its historic and vital mission of response and recovery, the importance of which was illustrated powerfully as Hurricane Dennis made landfall this week.

The Preparedness directorate will continue to rely on FEMA’s subject matter expertise and the expertise of our other components in promoting preparedness. It will also include our Infrastructure Protection division, as well as the U.S. Fire Administration, currently in FEMA, which will strengthen our linkages with the fire service.

Further, as part of our consolidated preparedness team, a Chief Medical Officer will be appointed within the Preparedness directorate. This position will be filled by an outstanding physician who will be my principal advisor on medical preparedness and a high-level DHS representative to coordinate with our partners at the Department of Health and Human Services, the Department of Agriculture and state governments. The Chief Medical Officer and his team will have primary responsibility for working with HHS and other Departments in completing comprehensive plans for executing our responsibilities to prevent and mitigate biologically based attacks on human health and on our food supply.

We also appreciate both the efficiencies and the vulnerabilities of the modern technology on which so much of our society depends. To centralize the coordination of the efforts to protect technological infrastructure, we will create the new position of Assistant Secretary for Cyber and Telecommunications Security within the Preparedness directorate.

Constantly Improving Our Efforts

The six areas of focus just described are all areas that will be priorities for the Department moving forward in the near term. They offer at least an initial roadmap of large categories of our activity for the months ahead.

We look forward to working with this Committee, other Members of Congress, our colleagues in the Administration, and our partners to ensure that this agenda for DHS can be implemented.

And we will continue to roll out new thinking and specific solutions to the issues that directly affect our security and daily lives.

Of course we have not been idle while waiting for this moment. To the contrary, we have taken immediate steps to promote security in a commonsense and balanced way. Since my confirmation, for example, we have resolved a long-simmering dispute by supporting the placement of hazardous material warning placards on rail cars. We have also announced a plan to open Ronald Reagan National Airport to general aviation. And, we affirmed a strong and achievable implementation plan for the Visa Waiver Program that requires biometric technology standards for passports issued by program participant nations.

What is notable about these decisions is that they did not simply pile on security restrictions. Instead, we have modified or even relaxed security measures that were no longer necessary, where risk analysis warranted. After all, a balanced approach means that the balance moves down as well as up.

Moving forward, we will evaluate our decision making, strengthening security where needed, and eliminating unnecessary burden when possible. Yesterday, I announced two decisions that illustrate this approach.

In the former category, after extensive consultation with the Department of State and the Department of Justice, DHS has decided to strengthen our US-VISIT program. In the future, first-time visitors to the United States will be enrolled in the program by submitting ten fingerprints. Subsequent entries will continue to require a 2 print scan for verification. This will dramatically improve our ability to detect and thwart terrorists trying to enter the United States, with no significant increase in inconvenience.

In the latter category, TSA will suspend the post-9/11 requirement that commercial airline passengers using Reagan National Airport in Washington must remain seated for 30 minutes after departure and before arrival. This 30-minute seating rule was a sensible measure when first

applied. Now, almost four years later, significantly enhanced layers of security ranging from hardened cockpit doors to air marshals make it reasonable to eliminate this requirement.

Our work in protecting the homeland will always seek reasonable balance. Over time, as intelligence warrants and as progress allows, DHS will be open to change. We will be straightforward. If something goes wrong, we will not only acknowledge it, we will be the first to fix the error. But, we also will stand up and let people know when we've done things the right way or see a better way ahead.

Conclusion

This is an exciting time for our organization. Change brings opportunity – and after an historic first two years – our young Department continues to hold one of the most important roles in government – the safety and security of our nation.

We set these priorities for ourselves and make these adjustments to the Department in order to serve our mission, to protect our families, our fellow citizens, our visitors, and our homeland.

So, moving forward together, let us answer this call by building upon that which has been honorably founded these past two years at DHS. We will proceed with unyielding focus and quiet determination.

Once again, I thank this Committee for their constant support and valuable input, and I look forward to working with you as we move to put these changes into effect.

Thank you.

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